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Discussion

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Discussion After the Speech of Anthony P. Carnevale

QUESTION, *Professor King*: From your observations in Saco, Maine, is the situation different in Canada than in the United States? Do we need a national plan to meet the problem? Societies like Japan and France have a national goal with which they seem more cohesive.

ANSWER, *Mr. Carnevale*: I think the situation in Canada and the United States is relatively similar. We have the same industrial mix. One of the advantages that Canada has, is a smaller and more cohesive set of geographic areas; it is easier to do things in a fairly comprehensive way. I believe that is also a disadvantage. Canada has led the way in experimentation in a variety of these human resource areas, especially concerning dislocated workers.

Recently, I have been working with American auto companies who are trying to figure ways to build some kind of participative process for installing technology. We discovered that Canadian plants are already doing this. They are the only plants in North America doing this.

The disadvantage, especially from the public side, is that we are really in the middle of something that no one clearly understands. I think you see that in American politics if you step back. There is no clear understanding of exactly what we need to do in a prescriptive way. Several things are reasonably clear in both countries, and our difficulty is not that we do not know how to do it, but we do not know how to pay for it. Organizations must be flexible or they die; and a flexible economy is a necessity. We are demanding that workers be flexible, to build flexible work forces.

What that generally means is that the commitment between employers and employees in North America and elsewhere is declining as a matter of necessity. Lifetime employment in a single job is unheard of. Lifetime employment in a single institution is not, but it necessitates refitting of an individual worker in order to survive for a lifetime. However, the more common pattern is found in employment specific industries and occupations and employment security derived from skill and experience, with a variety of employers over a life time.

What is required is a flexible work force, from both the employee and employer points of view. However, flexibility costs money. In order to be flexible a company must have the skills and education.

We could spend more money to allow adults to re-educate and re-train themselves. Our own tax policies grossly favor technology over the development of human resources. People are allowed to deduct expenses for training and education, but only if those expenses do not help them. If you are going to allow people a tax deduction for career related educa-

tion and training, it would cost us several billion dollars. We do not have several billion dollars.

In addition, there are other even more expensive things. If the work force is going to be flexible, it needs portable health care, portable pensions and portable learning and training systems. All of the above is determined by our legislatures.

The tougher issue is who is going to pay for it? The public does not want to pay for it. American businesses do not want to pay for this, especially small businesses. If we ask small businesses to pay for all these new benefits, a very large portion of them will not survive. The other difficulty is the government has no money to buy flexibility. The resolution is finding financial resources to get the job done.

The government cannot afford to build large research and development structures and a whole series of other aids to industry in concordance with the industrial policies of Europe and Japan. We can certainly afford more infrastructure in these areas.

We should be giving state-based quality and performance awards and develop capacity underneath these awards, not only to process applications, but to understand a variety of areas in economic life and make them available to organizations and institutions if they want it. For instance, if a company needs a statistical process training program they should be able to find out which one is the best, the most appropriate, the one its competitors are using and so on. There are a series of research and development programs based on technical systems that government can afford and is not using.

Previously, the U.S. Commerce Department, the Department of Labor and other federal departments had whole divisions dedicated to the uses of specific industries. This has been eliminated for a long time. We should be able to afford an infrastructure between government and industry.

We should not let our base instincts get the best of us and shut the door on trade. One of our fundamental problems in all of our economies is that we are in gross surplus and we need to stimulate demand. The demand is out there, and we must find ways to connect to it. Governments could build an international economy. There are many different ideas as to how to do it.

The truth is that in most of these cases the learning has to be very decentralized. One thing we could do is to build an infrastructure to capture that learning as we go through it, so we know what state-of-the-art practices are. It is a small proposal and a cheap proposal, which makes it an appropriate one at the time.

QUESTION, *Mr. Harwood*: If we have an economy that has pent-up demands and we are not supplying that demand, that tends to indicate that there is not enough money. Can we increase the amount of money supply without increasing inflation?

ANSWER, *Mr. Carnevale*: The United States has become more competitive in the past ten years; principally, by down-sizing, reducing costs by firing people, and at the same time implementing new technology with the people that remain. That is, upscaling, reorganizing to some extent, and reducing costs have become our primary priority.

Our second instinct was, as former Secretary Brach of the U.S. Department of Labor keeps saying, we competed by reducing the value of everything we did by half, thereby making it cheaper. We also considerably reduced our living standards in the process. First, monetizing demand will reduce wealth, especially if one country does it and others do not. To some extent, that is what has happened to the United States and Japan. Second, monetizing demand ultimately leads to inflation. I think the trick is to find some way to do this industry by industry, area by area, through the development of standards and procedures, perhaps global kinds of changes in monetary agreements. This will lead to a system that makes the international economy a more fluid system and opens up demand.

I think the ability to open up the areas of the world where demand is pent-up for consumption is really what lies before us. We will continue to produce surpluses and increase commodities unless we do that, because the productive capability of the world in most areas at the moment exceeds demand. This is a fundamental problem on the market side.

QUESTION, *Mr. O'Grady*: Where you begin to lose market share because your product has become too generic, are there any general principles that a firm could follow to try and identify what the new variety is that it should be producing?

ANSWER, *Mr. Carnevale*: A company should always get closer to its customer. That is, find out who the customer is, what they want and what new applications of its existing products and services might be.

The more difficult issues are building a production or service delivery system that is capable of producing variety quickly, which can customize to meet the changing demand; one that reduces the response time between the economic act of making the good or the service.

In almost every area one can find ways to build more variety to customize and speed up the relationships customers. Marketing data is always wrong, because it is always old, especially in an environment where competitors are moving with the customer and not with the marketing data. The basic strategy in every industry is probably interface with the customer to build a responsive system.

QUESTION, *Mr. Siber*: I think it is unquestionable that the United States is the world leader in creativity and innovation. You talked about the VCR as an example. This shows that ideas are, in your words, of little value, but the product has all the value.

There is a new world-order regarding intellectual property that is being formed; negotiations are underway on international levels. Should

we add intellectual property to the list of competitive standards as another measure to be considered?

ANSWER, *Mr. Carnevale*: I do not know. I think, in the end, it is going to be very difficult to own ideas. I think what you say is certainly true. That is, we are going to be able to know what one supposes and we will have to be able to tighten up ownership rights on ideas.

In the end, however, the ideas that make a difference are so small that it is hard to own them. They are usually incremental changes in things. There is a whole set of intellectual competitive resources that are very hard to own because they are too small. We may get to the point where one can own the big ideas, but variations on the theme are very difficult to police.

As an economist, I know there are many people who are in the business of owning and determining who owns originated ideas. However, it is going to be, in the end, conceptually almost impossible to regulate international marketing ideas. The value of in-house software in the United States is now about \$200 billion. I think the value of software produced commercially is roughly equivalent, I am not sure about that.

I am always amazed that people respect the fact that they cannot copy other people's disks. This always amazes me, since all you have to do is put it in the machine and copy it.

It seems to me that part of the problem here is that most people believe that it is part of our culture to believe that knowledge is not owned by anyone, but that it is owned by all of us. That it is a social good. We have come to believe that knowledge is a good thing and that it ought to be available to everyone. It is basically a social good. To say, "You cannot use that or if you know something, you cannot tell people," really runs against the grain in this culture. People assume that anything that they know is generally available.

QUESTION, *Mr. Veillette*: When you are talking about employment production of different areas of services, is not the fundamental question or challenge really changing a mind set that we have here in North America?

ANSWER, *Mr. Carnevale*: Yes, I think so. I think the fundamental issue here is in meetings of corporate people. At first we used to take great pride in the fact that we would sit in rooms and talk about how this is, what we needed to do, and having figured out what we needed to do, we thought we had done it.

Now, we knew that we had inter-cities that were in great difficulty and we needed to raise the educational levels. We wrote some laws and then went on and did something else. However, this did not work. We are dealing with deeply ingrained cultures and systems that change very slowly.

Private organizations have one great incentive: change or die. That is why it is more difficult elsewhere. The real lead in this revolution in

work place practice is in the private sector. The other institutions are not there yet. They have no idea, in most cases, who their customer is, irrespective of what their function is. In most cases, they think their customers are the politicians, instead of the people to whom they have been in service. I am a strong advocate of public organizations and have spent a lot of my career representing them. But there is a great confusion outside the public sector. Fear focuses the mind, and that is apparently what is happening in private organizations.

Leadership in the U.S. post-World War II generation, a generation that believed in efficiency, brought us the world revolution of manufacturing by building this mighty industrial system. They are the ones sitting in the chairs that have to make these decisions which are not always comfortable.

Banks basically have an information system, a struggle between the data processing people and the customer service people as to who controls and owns information. Every organization serves as a manufacturer.

We have this huge information capability. It is costing us too much money because we are simultaneously using it for policing using the information system. It is very expensive to do it that way, instead of giving up control and allowing information to be utilized by employees in a common, easy-access fashion.

